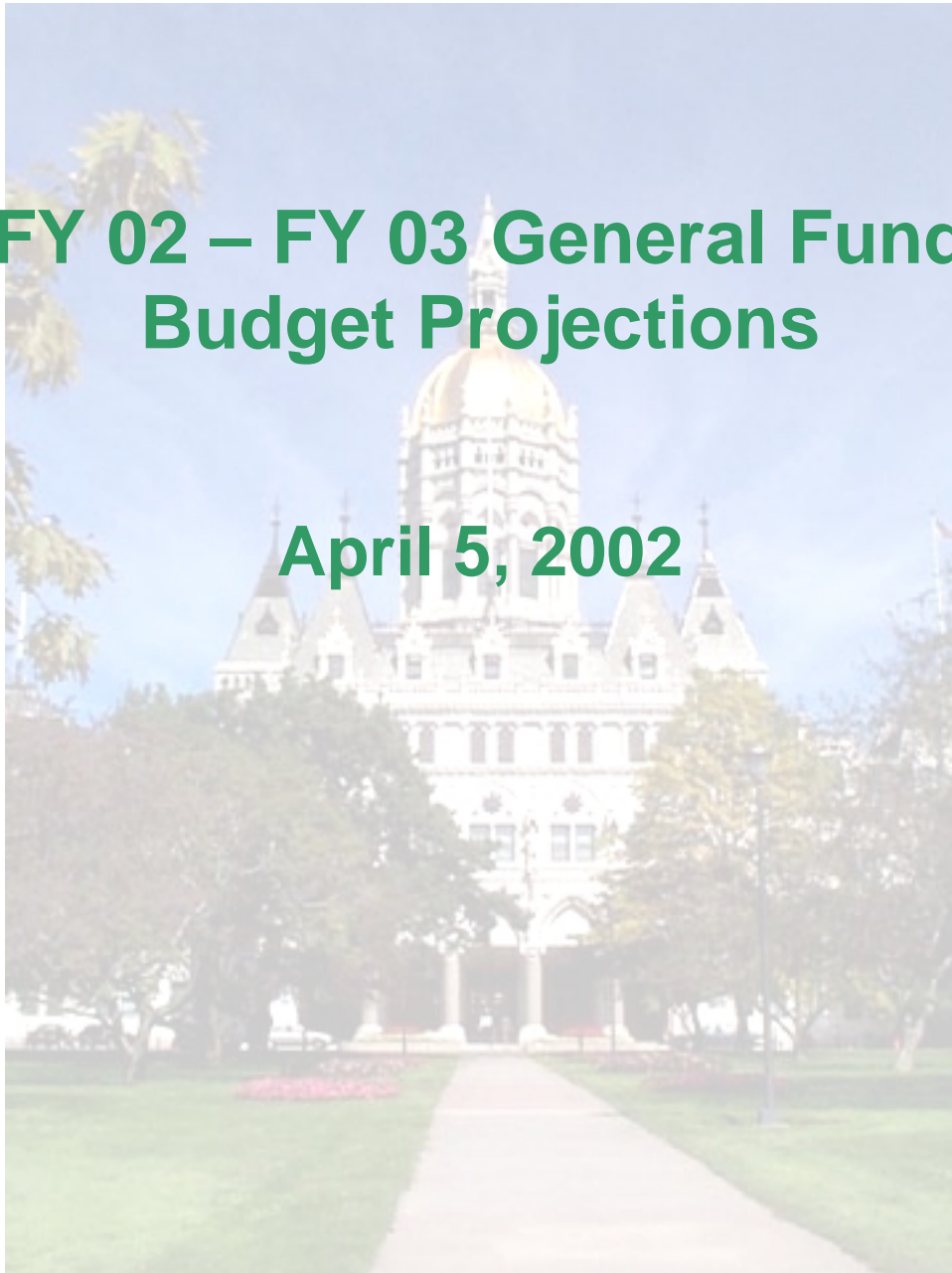


# Connecticut General Assembly

## OFFICE OF FISCAL ANALYSIS

### **FY 02 – FY 03 General Fund Budget Projections**

**April 5, 2002**



## **FY 02 – FY 03 General Fund Budget Projections**

### **Summary**

- The current **General Fund shortfalls** are projected at **\$455.8 million for FY 02 and \$290.8 million for FY 03.**
- The **total projected shortfall of \$746.6 million for FY 02 and FY 03 would exceed** the \$594.7 million currently available in the **Budget Reserve Fund by \$151.9 million.**

### **Expenditures**

This analysis assumes passage of the Deficiency Bill (sHB 5022) and the Appropriations Bill (sHB 5019) as favorably reported by the Appropriations Committee on 3/26/02.

### **Revenues**

The revenue estimates reflect changes from our last estimates that were included in our January 31, 2002 statement.

Please keep in mind when looking at the estimates that certain items have been incorporated into the revised estimates while other items have not been factored into the estimates. The items included in the estimates are legislation enacted, the revenue impact of the FY 03 budget bill that the FY 03 revenue estimates are compared against, and bills that prevent the erosion of the revenue base.

### **Included in the Estimates:**

- Repeal of the tax credit for HMO's providing health coverage under the HUSKY Plan (PA 02-3) **Impact: \$14 million in FY 02 & \$15.6 million in FY 03**
- The increase in the Cigarette Tax from 50-cents a pack to \$1.11 per pack, effective April 3, 2002 (PA 02-1) **Impact: \$39.7 million in FY 02 & \$122.3 million in FY 03**
- Items included in sHB 5019 (The Budget Bill) that result in a General Fund revenue impact, such as the transfer of funds from quasi-public agencies **Impact: \$100 million in FY 03**, the transfer of tobacco settlement funds **Impact: \$49 million in FY 03**, the proceeds from the liquidation of Anthem stock **Impact: \$98 million in FY 03**, and the impact on federal funds **Impact: -17.5 million in FY 03**
- The transfer of an additional \$15 million from the General Fund to the Mashantucket Pequot and Mohegan Fund to reflect the replacement of surplus funds removed pursuant to sHB 5022 (the deficiency bill)

- The provisions of sHB 5550 (Carpenter Technology issue) **Impact: Precludes a revenue loss of \$20 million in FY 03**
- The provision included in sHB 564 (as favorably reported by the Finance Committee) that deals with interest payments on corporation and air carrier tax refunds **Impact: Precludes a revenue loss of between \$20 to \$25 million in FY 03**
- The provision included in sSB 611 (as favorably reported by the Finance Committee) that decouples the depreciation schedule from the federal corporation tax related to “Job Creation and Worker Assistance Act of 2002” **Impact: Precludes a revenue loss of \$20 million in FY 03**

#### **Not Included in the Estimates:**

- The Governor’s proposals that delay scheduled phase-down of the: 1) Gift Tax (SB 29) **Impact: \$.7 million in FY 03**, 2) increase in the singles exemption under the Income Tax (SB 38) **Impact: \$6.8 million in FY 03**, and 3) sales and use tax on computer and data processing services (SB 28) **Impact: \$13.5 million in FY 03**
- The impact of: 1) SB 30 (AAC Certain Transfers to the Conservation Fund) **Impact: \$2 million in FY 03**, 2) SB 21 (AA Implementing the Governor’s Budget with Respect to the Judicial Branch **Impact: \$1.3 million in FY 03**, and 3) SB 31 (AAC the New Home Construction Guaranty Fund) **Impact: \$1.2 million in FY 03**
- Any bills favorably reported out of the Finance Committee or any other committee that impact General Fund revenue except for the items explicitly stated above

**FY 02 General Fund Summary**  
**as of April 5, 2002**  
(in millions)

	FY 02		
	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Revised Estimates</u>
<b>Revenues (see revenue narrative for explanation)</b>			
Taxes	\$ 8,754.2	\$ (675.2)	\$ 8,079.0
Other Revenue	1,023.6	(17.4)	1,006.2
Other Sources	2,116.3	26.0	2,142.3
<b>Total Revenue</b>	<b>\$ 11,894.1</b>	<b>\$ (666.6)</b>	<b>\$ 11,227.5</b>
<b>Appropriations</b>			
Original Appropriations - Gross	\$ 11,997.8	\$ -	\$ 11,997.8
<b>Less:</b>			
Estimated Budgeted Lapses	(103.8) [1]	-	(103.8)
<b>Plus:</b>			
Estimated Deficiency Requirements (sHB 5022)	-	101.8	101.8
Estimated Adjudicated Claims	-	9.0	9.0
Estimated Refunds of Escheated Property	-	9.0	9.0
<b>Total Appropriations / Estimated Expenditures</b>	<b>\$ 11,894.0</b>	<b>\$ 119.8</b>	<b>\$ 12,013.8</b>
<b>Shortfall Prior to Savings Measures</b>	<b>\$ 0.1</b>	<b>\$ (786.4)</b>	<b>\$ (786.3)</b>
<b>Savings Measures Implemented After Passage of the Original FY 02 Budget:</b>			
Operating Budget Reductions (SA 01-1, Nov. 15, 2001 Special Session)	\$ -	\$ (35.3)	\$ (35.3)
Surplus Approp. Reductions (SA 01-1, Nov. 15, 2001 Special Session and PA 02-4, 2002 Regular Session)	-	(128.8)	(128.8)
Allotment Reductions (as implemented by the Governor on 9/28/01-\$20.3m and 12/20/01-\$12.7m)	-	(33.0)	(33.0)
Other Savings (including targetable lapses-\$8.9m and carryforward reductions-\$7m, PA 02-4, 2002 Regular Session)	-	(15.9)	(15.9)
<b>Total Savings Measures Implemented After Passage of the Original FY 02 Budget:</b>	<b>\$ -</b>	<b>\$ (213.0)</b>	<b>\$ (213.0)</b>
<b>Current Shortfall After Implemented Savings</b>	<b>\$ 0.1</b>	<b>\$ (573.4)</b>	<b>\$ (573.3)</b>
<b>Additional Savings from the Deficiency Bill (sHB 5022) as Favorably Reported by the Appropriations Committee on 3/26/02:</b>			
Additional Surplus Appropriation Reductions	\$ -	\$ (115.4)	\$ (115.4)
Additional Carryforward Reductions	-	(2.1)	(2.1)
<b>Total Savings from the Deficiency Bill (sHB 5022) as Favorably Reported by the Appropriations Committee on 3/26/02</b>	<b>\$ -</b>	<b>\$ (117.5)</b>	<b>\$ (117.5)</b>
<b>Shortfall Assuming Passage of the Appropriations Committee's Deficiency Bill (sHB 5022)</b>	<b>\$ 0.1</b>	<b>\$ (455.9)</b>	<b>\$ (455.8)</b>
Current Budget Reserve Fund Balance [2]			594.7
<b>Potential Budget Reserve Fund Balance after Transfer to Cover Projected FY 02 Shortfall</b>			<b>\$ 138.9</b>

[1] Includes approximately \$77.8 million in budgeted lapses and \$26 million in general PS, OE and DoIT reductions (holdbacks) as adopted in the original budget plan.

[2] The Budget Reserve Fund currently contains \$594.7 million. Since no unappropriated surplus is anticipated for FY 02, no addition to the Budget Reserve Fund (BRF) is anticipated at this time. (If unappropriated surplus were available, \$24.7 million would be needed to fully fund the BRF at \$619.4 million based on 5% of net FY 03 General Fund appropriations included in the Appropriations Bill, sHB 5019, as favorably reported by the Appropriations Committee on 3/26/02.)

**FY 03 General Fund Summary  
as of April 5, 2002  
(in millions)**

	<u><b>FY 03</b></u>
<b>Revenues (see revenue narrative for explanation)</b>	
Taxes	\$ 8,562.5
Other Revenue	1,023.3
Other Sources	<u>2,511.0</u>
<b>Total Revenue</b>	<b>\$ 12,096.8</b>
<b>Appropriations (based on sHB 5019 as favorably reported by the Appropriations Committee on 3/26/02)</b>	
Appropriations - Gross	\$ 12,502.5
Less: Estimated Budgeted Lapses [1]	<u>(114.9)</u>
<b>Appropriations - Net</b>	<b><u>12,387.6</u></b>
<b>Potential Shortfall</b>	<b>\$ (290.8)</b>
<b>Potential Budget Reserve Fund Balance after Payment of Projected FY 02 Deficit</b>	<b>138.9</b>
<b>Potential Remaining FY 03 Shortfall in Excess of Amount Remaining within the Budget Reserve Fund</b>	<b>\$ (151.9)</b>

[1] Includes approximately \$80.4 million in budgeted lapses and \$34.5 million in general PS and OE reductions (holdbacks) as favorably reported by the Appropriations Committee on 3/26/02.

**FY 02 & FY 03 General Fund Revenue**  
**As of April 5, 2002**  
**(in thousands)**

	<b>OFA Estimate</b>	
	<b>FY 02</b>	<b>FY 03</b>
<b>Taxes</b>		
Personal Income	\$4,485,000	4,709,900
Sales and Use	3,043,500	3,167,100
Corporations	410,000	453,100
Inheritance and Estate	150,000	142,300
Public Service Corporations	180,400	187,800
Insurance Companies	214,000	221,000
Cigarettes	157,200	233,600
Oil Companies	25,800	43,800
Real Estate Conveyance	110,000	111,100
Alcoholic Beverages	41,000	41,000
Miscellaneous	36,100	35,300
Admissions and Dues	26,000	26,500
<b>Total Taxes</b>	<b>\$8,879,000</b>	<b>\$9,372,500</b>
Refunds of Taxes	(780,000)	(790,000)
R & D Credit Exchange	(20,000)	(20,000)
<b>Net General Fund Taxes</b>	<b>\$8,079,000</b>	<b>\$8,562,500</b>
<b>Other Revenue</b>		
Transfer Special Revenue	\$278,000	\$270,500
Indian Gaming Payments	372,000	390,000
Licenses, Permits and Fees	128,200	124,200
Sales of Commodities and Services	28,800	30,000
Rentals, Fines and Escheats	51,200	52,400
Investment Income	34,000	34,000
Miscellaneous	114,500	122,700
<b>Total Other Revenue</b>	<b>\$1,006,700</b>	<b>\$1,023,800</b>
Refunds of Payments	(\$500)	(\$500)
<b>Net Other Revenue</b>	<b>\$1,006,200</b>	<b>\$1,023,300</b>
<b>Other Sources</b>		
Federal Grants	\$2,170,000	\$2,264,000
Transfer from Tob. Settlement Fund	120,000	133,000
Transfer to the Resources of General Fund	0	236,000
Transfer to Other Funds	(147,700)	(122,000)
<b>Total Other Sources</b>	<b>\$2,142,300</b>	<b>\$2,511,000</b>
<b>Total Revenue</b>	<b>\$11,227,500</b>	<b>\$12,096,800</b>

# Summary of General Fund Lapsing Appropriations and Other Reductions for FY 02

Amount  
(in millions)

## Status of Budgeted Lapses:

Department of Labor	\$ 1.0	
Department of Mental Retardation	1.3	
Department of Social Services	8.4	
Department of Education	4.0	
Teachers' Retirement Board	1.2	
Department of Children and Families	7.1	
Debt Service	19.5	
Tuition Reimbursement - Training and Travel	2.5	
Social Security	1.0	
Total - Significant Identified Lapsing Appropriations	\$ 46.0	
Other Identified Lapses (less than \$1 million each)	7.3	
Unidentified Lapses	24.5	
Subtotal		\$ 77.8

## General Personal Services and Other Expenses Reductions:

Personal Services Holdbacks	\$ 13.5	
Other Expenses Holdbacks	11.0	
DoIT Lapse	1.5	
Subtotal		26.0

<b>Total Projected Lapses Anticipated in the Budget</b>	<b>\$ 103.8</b>
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## Savings Measures Implemented After Passage of the Original FY 02 Budget:

Operating Budget Appropriation Reductions (SA 01-1, Nov. 15, 2001 Sp. Session)	\$ 35.3	
Surplus Appropriation Reductions (SA 01-1, Nov. 15, 2001 Sp. Session and PA 02-4, 2002 Regular Session)		128.8
Governor's Allotment Reductions		
November	\$ 20.3	
December	12.7	
Subtotal		33.0
Other Savings		
Targetable Lapses	\$ 8.9	
Carryforward Reductions	7.0	
Subtotal		15.9

<b>Total - Savings Measures Implemented After Passage of the Original FY 02 Budget</b>	<b>\$ 213.0</b>
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<b>Total Projected Lapses / Reductions Currently Implemented</b>	<b>\$ 316.8</b>
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## Additional Savings from the Deficiency Bill (sHB 5022) as Favorably Reported by the Appropriations Committee on 3/26/02:

Additional Surplus Appropriation Reductions	\$ 115.4
Additional Carryforward Reductions	2.1

<b>Total Savings from the Deficiency Bill (sHB 5022) as Favorably Reported by the Appropriations Committee on 3/26/02</b>	<b>\$ 117.5</b>
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<b>Total Potential Lapses / Reductions Assuming Passage of the Appropriations Committee's Deficiency Bill (sHB 5022)</b>	<b>\$ 434.3</b>
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